

MASS.
AG1.5/3:
1992/AUG-
1995/MAR



AGENDA:

GOVERNMENT DOCUMENTS
COLLECTION

MAY 09 1994

FRAUD

University of Massachusetts
Depository Copy

AG FIGHTS HEALTH CARE FRAUD

Investigation and prosecution of fraud, waste and abuse remains a white-collar crime priority within the Attorney General's office. Both public and private sector fraud are being targeted in the AG's Criminal Bureau. Fraud within the health care area is now the focus of coordinated investigations between the Medicaid Fraud Control Unit (MFCU), Public Protection Bureau (PPB) and other divisions of the Criminal Bureau.

While MFCU prosecutions are important, many other ongoing significant activities contribute to our success. The AG's Physician Advisory Group continues to provide valuable resources and advice to MFCU as well as the Attorney General's Elder and Disabled Task Force. Both groups meet periodically to discuss health-related issues which are the subject of MFCU prosecutions and other affirmative actions within the office.

As Chairman of the National Association of Attorneys General (NAAG) Health Care Task Force, Scott is leading the fight against health care fraud and abuse. Through NAAG, he is seeking to improve health care fraud enforcement with federal-state cooperation in the investigation and prosecution of health care fraud.

Also, the MFCU has drafted legislative proposals which will enhance state fraud prosecutions in the health care area. These pending legislative proposals would:

- add a criminal forfeiture provision to the Medicaid False Claims Act and False Health Care Claims Statute. This would require a court, in imposing a sentence under the act, to order the defendant to forfeit any property obtained as a result of the violation of the act or any property used to commit or facilitate the violation.
- provide for penalties under the Medicaid False Claims Act and False Health Care Claims Statute for any person who destroys, alters, conceals or removes records required to be kept under regulations promulgated by the Department of Public Welfare pursuant to the act or pursuant to any private insurance contract.
- add a civil penalty provision of \$5,000 for each violation of both statutes.
- increase criminal monetary penalties under these statutes from \$10,000 to \$25,000.
- add civil enforcement provisions to the False Health Care Claims Act.

(continued on page 7)

To the Citizens of Massachusetts:

As Attorney General, I have continued to make a concerted effort to reach out and work with organizations and professionals who each day audit, investigate, and analyze instances of possible fraudulent conduct pertinent to my role as chief law enforcement officer of the Commonwealth.

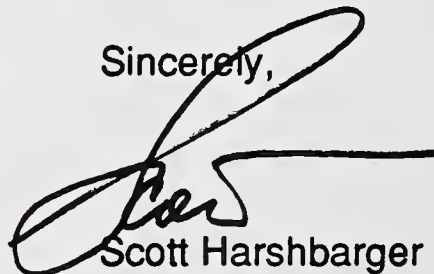
Through various advisory groups and task forces my office has established, sponsored training sessions and regular communication with representative associations and groups, I believe we have provided a necessary vehicle for many groups to be heard, and have contributed to the offices effort to weed out fraud.

It is through sharing of information that this office and many others will continue to be successful in the fight against fraud on all fronts.. Fraud continues to exist in many forms and each day we face a new battle to contain it.

Recently, in the fight against fraud, the AG's office has assumed many of the former responsibilities once performed by the Department of Labor and Industries. The additional duties include enforcing prevailing wage laws. This new enforcement role will provide us with additional tools in our effort to combat fraud. Employers who are not paying prevailing wages on public works projects often times are engaged in similar evasive activity involving workers' compensation, unemployment, health care insurance scams and not maintaining a safe work place for their employers which cause unnecessary injuries. Coordinating and sharing of information with the IFB, DIA, and other agencies will provide the Office of the Attorney General with a strong resource for future prosecutions.

This issue of AGenda: Fraud introduces our new Division of Fair Labor and Business Practices and highlights recent activities in the workers' compensation and Medicaid arenas. As always, we welcome your comments and suggestions.

Sincerely,



Scott Harshbarger

Inside this issue:

| | | | | |
|-----------------------|-----------------------------|----------------------------------|------------------------|--------------------------------|
| Medicaid Fraud 1 | Workers' Comp 6-7 | Newsletter Contribution 10 | Fair Labor 11 | Employment & Training Cases |
| Medicaid Cases 3-5 | Workers' Comp Cases 8-10 | | Fair Labor Cases 12 | 13 |

Medicaid Fraud Cases

MFCU ARRESTS TWO LYNN MD'S ON FRAUD AND DRUG CHARGES

Harshbarger's Medicaid Fraud Control Unit (MFCU) and the Board of Registration in Medicine announced that one Lynn physician was arrested December 15, 1993, on multiple controlled substance and Medicaid Fraud offenses involving the alleged illegal distribution of drugs to drug-addicted patients. A warrant was issued for the arrest of a Needham physician, who turned himself in at Lynn District Court that same afternoon.

Gerald S Katz, M.D., 44, of Brookline, was arrested by state and local police at the doctor's medical office located in Lynn. The other doctor charged is Phillip I. Hershberg, M.D., 58, of Needham.

The defendants were arraigned in Lynn District Court on multiple charges of illegal distribution of class C, D, and E substances within 1,000 feet of a school, illegally distributing controlled substances without being registered, and violations of the state Medicaid Fraud Laws.

Both physicians allegedly have been distributing narcotic substances without proper licensing from the Department of Public Health. The substances

allegedly include Valium, Clonidine, Xanax and Darvon. Complaints against Hershberg also allege that he has a previous violation of dispensing a Class C and E substance. Hershberg and Katz also allegedly received illegal cash payments from Medicaid patients in return for illegal prescriptions.

The investigation, which was coordinated by Harshbarger's MFCU and the Drug Diversion Investigative Unit of the State Police, in cooperation with the Board of Medicine and the Lynn Police Department, alleges activity going back to July, 1992, and is ongoing.

LAB & OWNER CHARGED WITH ALLEGED FRAUD, LARCENY & KICKBACKS INVOLVING \$150,000

A Bridgeport, Connecticut drug testing laboratory and its president were indicted by a Suffolk County Grand Jury for larceny, attempted larceny and filing false Medicaid claims in a scheme which allegedly bilked \$150,000 from the Medicaid program.

Graham-Massey Analytical Labs, Inc., formerly Massey

Analytical Labs, Inc., of Bridgeport, Connecticut, and its president, Daniel Massey, 43, of Shelton, CT, were each indicted on seven counts of larceny by a continuing scheme and 60 counts of filing false claims to the Massachusetts Department of Public Welfare's Medicaid program. The company was additionally charged with five counts of individual kickbacks. The kickback allegations center around the defendants arranging for and providing free testing for non-Medicaid clients in exchange for continued Medicaid business.

Virginia Morris, 57, of Newton, CT, was indicted along with Massey and his corporation on a single count of offering kickbacks to a Massachusetts drug treatment program.

The company provided urinalysis drug testing for substance abuse programs throughout New England.

The indictment came after a two year investigation by Harshbarger's Medicaid Fraud Control Unit (MFCU). The indictment alleges that Massey and his corporation over-charged Medicaid tests it performed and then used a series of fraudulent billing schemes to increase their billings even more.

Specifically, Massey initially billed using one billing code for six EMIT tests (a testing technique). After the Medicaid program denied these billings, Massey rebilled for the same tests.

The indictments also allege that Morris, Massey, and his corporation offered to perform free lab testing to include further business, which it would also bill to Medicaid. Once the agreement was made, the corporations allegedly performed eight free tests on six separate occasions.

FOUR WOBURN MEN PLEAD GUILTY TO LARCENY, UNEMPLOYMENT AND TAX FRAUD

Four Woburn taxi cab drivers pled guilty to indictments charging larceny, unemployment and state income tax fraud as a result of a criminal probe by the MFCU.

Kenneth R. Hamilton, 41, of Woburn, pled guilty to one count of unlawfully collecting unemployment compensation benefits; one count of larceny over \$250; one count of filing false income tax returns in 1992; and one count of failing to file a 1991 state income tax return.

Hamilton worked "under the table" for Yellow Cab of Woburn, from April to November, 1992,

while collecting unemployment benefits following his layoff from the Purity Supreme warehouse in Billerica.

Also pleading guilty were Peter C. Belida, 39, Arthur E. Redman, 44, and William L. Simpson, 38, all of Woburn. Each pled guilty to three counts of failing to file their Massachusetts income tax returns in 1990, 1991, and 1992.

Hamilton's guilty plea stems from indictments returned last November against Hamilton's brother Richard, owner and operator of Yellow Cab of Woburn, Inc. The November indictments allege that Richard Hamilton and his company were involved in a larcenous scheme to defraud the Medicaid program by filing false claims for transporting Medicaid recipients to and from doctor's appointments. Richard Hamilton is to stand trial in the Spring of 1994.

The defendants were sentenced to suspended jail terms ranging from two years to four months.

Harshbarger expressed special thanks to the Massachusetts Department of Employment and Training and the Massachusetts Department of Revenue who assisted in the investigation of these matters.

MFCU REACHES SETTLEMENT WITH BOSTON NON-PROFIT CLINIC

Scott Harshbarger and Bruce Bullen, Commissioner of the Division of Medical Assistance, announced that the AG's MFCU and the Division of Medicaid Assistance (Medicaid) entered into a civil settlement with a Boston non-profit mental health clinic which provides a variety of clinical services to children and adolescents in the greater Boston area.

The settlement with the Douglas A Thom Clinic, Inc., of Boston, concludes a joint investigation by Harshbarger's MFCU and the Division of Medical Assistance.

Under the terms of the settlement, the Clinic agreed to return \$144,000 to the Medicaid program as a result of claims submitted for payment which were not supported by clinical records. The Clinic agreed to correct these and other discrepancies, and will make internal administrative and procedural record-keeping changes to ensure compliance with the Division's regulations. As part of the settlement agreement, the Clinic has also agreed to waive payment of 2,110 hours of therapy provided to children in Boston which may have been Medicaid reimbursable.

PHARMACIST PLEADS GUILTY TO CHARGES OF LARCENY AND FILING FALSE MEDICAID CLAIMS

A Worcester pharmacy and its owner pled guilty in Suffolk Superior Court to taking \$5,000 and filing false claims for payment from the Medicaid program.

Theodore Ronald Zive, of North Worcester, and his company, Worcester University Pharmacy pled guilty to 15 counts of filing false Medicaid claims and one count of larceny over \$250.

Judge Charles Grabeau sentenced Zive to one year in the House of Correction, suspended for one year, and ordered him to perform 150 hours of community service and pay \$30,000 in fines, penalties and restitution.

Between March, 1990, and June, 1993, Zive and Worcester University billed the Medicaid Program for prescription drugs and durable goods that were never provided to the Medicaid recipients named in the bills. Zive and Worcester University substituted cheaper generic drugs when filling brand name prescriptions for Medicaid recipients, but billed the Medicaid program for more expensive brand name drugs. The defendants also intentionally provided false information to the Department of Public Welfare when submitting invoices for payment.

FORMER NEW MEDICO ACCOUNTANT SENTENCED TO FOUR YEARS AFTER GUILTY PLEA IN \$240,000 THEFT

A former accountant for the now-defunct New Medico Associates, Inc., was sentenced in Suffolk Superior Court to four years in the House of Correction after pleading guilty to multiple counts of larceny. Two other defendants also pled guilty and were each sentenced to serve time in the House of Correction. The charges stem from an investigation by Harshbarger's MFCU into an embezzlement scheme totalling \$240,000 from New Medico, which was a Boston-based health care management company.

Former New Medico accountant, Steven A. Basile, 31, of E. Boston, received the following sentences from Judge Charles M. Grabeau, after pleading guilty to the various charges: two years in the House of Correction on multiple counts of larceny by embezzlement; two additional years in the House of Correction, to be served after the first two-year sentence, for uttering; and six-to-eight years at MCI Cedar Junction, suspended for two years, on additional uttering charges. The defendant was also sentenced to one year in the House of Correction, to be served concurrent with his other committed sentence, after pleading guilty to

one count of making false corporate entries. One count each of filing false Medicaid claims and conspiracy was filed after the defendant entered pleas of guilty. The issue of restitution was deferred until a later date.

Indictments against three other defendants named below were also disposed of by Judge Grabeau:

Robert Scarpetti, 26, of Chelsea, was suspended to two years in the House of Correction, after pleading guilty to multiple counts of larceny over \$250. He was also sentenced to four-to-five years at MCI Cedar Junction, suspended for two years with probation, after pleading guilty to multiple counts of uttering. One count each of conspiracy and filing false tax returns were placed on file, after the defendant pled guilty.

Michael A. Scarpetti, 31, of Chelsea, was sentenced to larceny over \$250. He was also sentenced to three-to-five years at MCI Cedar Junction, suspended for two years with probation after pleading guilty to uttering. One count of conspiracy was placed on file, after the defendant pled guilty to the charge.

Dolores Basile, 34, of E. Boston, wife of Stephen Basile, had one count of receiving stolen property over \$250 placed on file without a change of plea.

WORKERS' COMPENSATION NEWS

In January the Attorney General addressed a joint meeting of over 100 members of the Greater Boston Chapter of Certified Fraud Examiners, the Greater Boston Chapter of the Institute of Internal Auditors, the New England EDP Auditors Association, and the Information Systems Security Association.

The Attorney General spoke about how to cut taxes in the Commonwealth. The tax he was referring to was the "fraud tax", the hidden, extra amount businesses and individuals pay in insurance premiums, in taxes, in health care costs and for goods and services that result from fraud and abuse that goes undetected.

He told the group that fraud is crippling small businesses, costing jobs and diminishing the impact of important government programs.

He spoke about the hundreds of individual citizens and business people who can no longer afford to subsidize this waste, fraud and abuse, and are willing to report fraud and assist in the investigations. Through prosecutions of cases across the Commonwealth the AG's office is sending the message that fraud will no longer be tolerated at any level.

Harshbarger spoke about what each group could do to combat fraud and offered the following tips to the audience:

- Change attitudes throughout your company and adopt a "zero tolerance" for any illegal activity

- Place significant priority on eliminating any illegal activity and designate persons in authority to be responsible for oversight

- No longer simply write these problems off as the "cost of doing business"

- Report allegations of fraud to law enforcement in a timely and responsible manner

- Work with the AG's office on cases of suspected fraud you refer to the office

In conclusion the Attorney General said that combatting the "fraud tax" is something that we, in the public sector, must work on in partnership with the private sector, if we are going to succeed in sending the message that Massachusetts is a good place to live and do business.

AG ADDRESSES THE INSURANCE FRAUD BUREAU OF GOVERNORS

The Attorney General addressed the Insurance Fraud Bureau Board of Governors in January regarding insurance fraud and the partnership that has been established between the AG and the IFB.

While the current focus nationwide is on street and violent crime, there is great interest across the country in how the IFB/AG partnership was formulated and how it operates. The AG noted that the IFB/AG partnership is viewed as a national model. Massachusetts is the only state to have such a partnership between government and the insurance industry.

The Attorney General noted that without the funding provided through the insurance industry, the AG could not allocate dedicated prosecutorial resources necessary to combat insurance fraud. He stressed that a consistent message must be communicated that fraud within the system will not be tolerated at any level. Criminal prosecution exclusively would not rid the system of fraud. A comprehensive approach must be taken. Mr. Harshbarger stated that the cooperation and assistance of other state agencies has also been a very important part of the consistent message being sent to the public that fraud will not be tolerated.

The Office of the Attorney General has tried to reach a balance between the volume of prosecutions and long term, time consuming investigations that have major impact. The focus of prosecutions must sometimes shift to impact cases which require an enormous devotion of prosecutorial resources.

Harshbarger also asked the Board of Governors to ensure that insurance companies do everything in their power to convey the message that they are concerned and are combatting fraud. He asked they do so by informing policyholders that it costs money and drains claim dollars from the system when payouts are made on fraudulent claims.

FIGHTING HEALTH CARE FRAUD (continued)

We continue to encourage your comments and opinions to aid us in indentifying and eliminating fraud, waste and abuse. Do you have a tip? If so, please call one of the Divisions listed below:

Carmen Russo
Civil Investigation Division
617-727-2200 x2930

Patricia Bernstein
Public Protection Bureau
617-727-2200 x2970

Michael Kogut
Medicaid Fraud Control Unit
617-727-2200 x3814

John Ciardi
Economic Crimes
617-727-2200 x2858

Brian Burke
Fair Labor & Business Practices
617-727-2200 x3126
Dept. of Employment &
Training
617-727-2200 x6824

Insurance Fraud Bureau Hotline
1-800-32FRAUD

WORKERS' COMPENSATION CASES

An East Dennis man who engaged in the bond and insurance business in Boston was sentenced to state prison after pleading guilty in Suffolk Superior Court to charges he embezzled workers' compensation insurance premiums entrusted to him and sold fraudulent surety bonds involving more than \$45,000.

John J. Williams pled guilty to seven counts of larceny over \$250, 15 counts of forgery, 15 counts of uttering a forged instrument and two counts of acting as an insurance broker without a license from April, 1991, through May, 1992.

Judge Grabeau adjudged him to be a common and notorious thief and sentenced him to eight-to-twelve years in state prison, four years to serve, the balance suspended for five years, on the larceny charges. On the uttering a forged instrument counts, he was sentenced to eight-to-ten years in state prison, four years to serve, to run concurrently with the larceny sentence.

Williams formerly maintained a business known as United Insurance Agency, Inc., d/b/a American Bond Underwriters in Boston. The defendant's license as an insurance broker was suspended in 1981 and never reinstated. He nevertheless acted as a broker by working for

two small Massachusetts businesses - both unaware of his unlicensed status - in negotiating the renewal of the businesses' workers' compensation insurance. He embezzled over \$20,000 of premium payments sent to him by Hub Foundation, Inc., a pile-driving business in Wellesley, for submission to The Hartford Insurance Company.

In addition, he embezzled over \$2,800 worth of insurance premium payments submitted by the Fairhaven Chowder House and stole the proceeds of over \$1,800 worth of refund checks issued to that restaurant after cancellation of its workers' compensation policy. He accomplished the latter theft by causing the restaurant's endorsement to be forged on the refund checks and causing those checks to be deposited into his business account.

He also issued a series of fraudulent surety bonds to MDM, Inc., a contracting business in Dudley, thereby defrauding that business of more than \$18,000 paid to American Bond Underwriters as premiums for the bonds. He represented himself as authorized to issue bonds on behalf of Continental Insurance Company; because he was allegedly not so authorized by Continental, the bonds were worthless.

In addition, he issued two fraudulent guardian bonds which were filed by the Middlesex County Probate Court. He issued these bonds on behalf of Attorney Edwin Cooper, with whom he shared office space and who was appointed guardian for an elderly, incompetent woman in 1992.

Guardians are required by law to file bonds in part to ensure that their wards, who are unable to look after their own affairs, and their heirs, will have a remedy in the event that their property is misapplied by the guardian. The bonds Williams issued for Cooper bore Williams' signature and purported to be issued on behalf of Continental Insurance.

Because the man was never authorized to issue bonds for Continental, the bonds were worthless. Williams sought and received a payment of \$1,700 for the fraudulent bonds, and this amount was paid by Cooper out of the ward's estate. The fraudulent bonds came to light after Cooper died and a new guardian was appointed.

A 1987 consent judgment, resulting from an action brought by the AG's Consumer Protection Division, permanently enjoins him from acting as an insurance agent or broker unless and until properly licensed.

TAUNTON MAN INDICTED ON ALLEGED WORKERS' COMP FRAUD INVOLVING MORE THAN \$9,000

A Taunton man was indicted by a Bristol County Grand Jury on charges of workers' compensation fraud and larceny involving alleged theft of more than \$9,000.

Wayne S. Lopes was indicted on three counts of workers' compensation fraud and one count of larceny over \$250. He was an employee for the Hallsmith and Sysco Company, of Norton. He claimed to be totally disabled due to an injury that occurred in May, 1990, at Hallsmith and Sysco.

Despite his claim of total disability, he allegedly worked full time as a painter with a Walpole painting company. He collected over \$9,000 in total disability benefits while working fulltime at various job sites across Southeastern Massachusetts. He allegedly failed to disclose his painting income to Hallsmith and Sysco's insurer, Wausau Insurance Company.

NURSING HOME WORKER INDICTED FOR ALLEGED WORKERS' COMP FRAUD

A nursing home worker from Bedford was indicted by a Middlesex County Grand Jury

for allegedly committing multiple acts of workers' compensation fraud and larceny involving over \$40,000, by repeatedly claiming injuries on the job.

Margaret K. Kangsen was indicted on three counts of insurance fraud and three counts of larceny over \$250.

The woman allegedly engaged in an ongoing scheme to defraud the Liberty Mutual and Travelers Insurance Companies out of approximately \$40,000 in workers' compensation benefits. While an employee of the Aberjona Nursing Care Center in Winchester, in 1988, she alleged to be totally disabled due to an injury on the job. She obtained disability benefits due to her allegations of injury.

The defendant then allegedly obtained identical employment with the Mediplex Nursing Home of Lexington. In August, 1989, she allegedly claimed a second injury and attempted to obtain benefits, but was unsuccessful.

Before her final settlement with Aberjona, she allegedly obtained employment at a third location, the Dexter House of Malden. While at Dexter, she allegedly filed a third claim in September, 1990, for workers' compensation benefits due to an alleged injury.

Before withdrawing her claim at Dexter House, she allegedly began work at a fourth job at the Glen Ridge Nursing Home in

Malden. She allegedly filed a fourth claim in February, 1991, for benefits there, concealing from her new employer her earlier claims for benefits.

Assistant Attorney General Michael Cullen of the Criminal Bureau is prosecuting the case. The matter was jointly investigated by the AG's office and the Insurance Fraud Bureau of Massachusetts.

WOBURN MAN PLEADS GUILTY TO WORKERS' COMP FRAUD INVOLVING \$17,000

Donald W. Sheehan pled guilty in Middlesex Superior Court to having fraudulently received over \$17,000 in workers' compensation benefits.

Judge Gordon Doerfer sentenced him to two-and-one-half years in the House of Correction, suspended for three years, and ordered him to perform community service five hours per week during the three year probationary period. He was also ordered to pay \$18,633 in restitution.

He suffered a back injury in November, 1989, while working as a truck driver/delivery person for Somerville Lumber. He received total temporary disability benefits from that time until June, 1992. It is alleged that from June, 1991, through June, 1992,

he was working as a truck driver/delivery person elsewhere, while continuing to receive total disability benefits. During a portion of this period, he was also allegedly working a second job as a cleaning person.

MARBLEHEAD MAN INDICTED ON ALLEGED \$30,000 INSURANCE FRAUD

A Marblehead man has been indicted by an Essex County Grand Jury for allegedly fraudulently receiving more than \$30,000 in workers' compensation benefits from the CIGNA Insurance Company.

Nicholas Milona was indicted on one count of larceny over \$250, one count of insurance fraud and one count of workers' compensation fraud.

He allegedly injured his ankle in February, 1990, while working as a real estate sales and marketing coordinator at the Castle View Development in Gloucester. He received total temporary disability benefits from that time until September, 1992.

During the period he claimed to be totally disabled, he allegedly worked full-time at several real estate jobs and also part-time at a health club. He earned over \$80,000 from these jobs, while allegedly collecting over \$34,000 in workers' compensation benefits because he claimed he was unable to work.

This case is the result of a joint investigation by the AG's office and the IFB of Massachusetts.

NEWSLETTER CONTRIBUTION

We hope this newsletter is both informative and useful. Its success depends upon your input. We must join together to combat fraud in our society. We hope to highlight several programs from around the state in the next issue. Contributions to the newsletter can be forwarded to the address below.

If you would like to reprint information from the Attorney General's fraud newsletter, please contact the editor at the address below:

Erin O'Sullivan
Publications Coordinator
Attorney General's office
20th Floor
One Ashburton Place
Boston, MA 02108.

FAIR LABOR AND BUSINESS PRACTICES

At the end of September, 1993, the Attorney General's office took over the responsibility of the Department of Labor and Industries. Brian E. Burke, Assistant Attorney General, was appointed head of the new Division of Fair Labor and Business Practices.

The Fair Labor Division investigates and prosecutes employers who fail to contribute to the unemployment fund and employees who make fraudulent claims. It also prosecutes individuals who defraud the unemployment fund by way of complex schemes.

The Division also investigates and prosecutes general contractors and subcontractors for failure to pay prevailing wages to their employees on public works projects, employers who fail to pay wages, minimum wage, overtime pay and vacation pay.

The Fair Labor Division is also responsible for conducting investigatory hearings on prevailing wage violations, ordering the posting of bonds to ensure payment of prevailing wage and, if necessary, ordering the shutdown of a public construction job and conducting investigatory hearings and issuing decisions on challenges to the awarding of public works contracts.

It investigates and prosecutes violations of child labor laws, and work-related injuries to minors, grants workplace procedure waivers, inspects workplace safety on construction sites, industrial sites and in the manufacturing industry. Fair Labor also prosecutes egregious cases of violations of industrial workplace safety and may shut down a job site in cases of imminent danger to the safety of employees or the public.

It also investigates all work-related fatalities throughout the state.

Although relatively new to the Attorney General's office, the Fair Labor and Business Practices Division has been responsible for disposing of a few cases.

FAIR LABOR AND BUSINESS PRACTICES CASES

DENNISPORT MAN PLEADS GUILTY TO WAGE VIOLATIONS

Attorney General Harshbarger announced that a Dennisport man pled guilty in Northampton District Court to violating the state wage enforcement laws.

Robert Briggs, of Dennisport, doing business as the Briggs Construction Company, pled guilty to seven counts of violating the prevailing wage law. Judge Phillip Contant barred Briggs from working for six months on any public works projects in the Commonwealth. Contant further ordered Briggs to pay \$8,261 in restitution. Briggs has paid \$2,700 to date and the balance is due in six months.

"My office was recently awarded the authority to enforce the wage laws of the Commonwealth," said Attorney General Harshbarger. "This is among the first of many cases to be pursued by this office. We take very seriously the rights of workers to be compensated for their fair work."

The Briggs Construction Company was subcontracted to do framing and carpentry work for the Amherst Housing Authority.

SANDWICH MAN ARRESTED FOR FAILURE TO PAY EMPLOYEE WAGES

A Sandwich man surrendered himself to State Police Officers assigned to the AG's office on several outstanding warrants issued by the Worcester District Court for failure to pay wages to employees.

Louis Masaschi, 27, of Buzzards Bay, who is President of M.E.C., Inc., a South Boston Construction firm, was found guilty on May 28, 1993, for failing to pay wages in connection with work done at the Sullivan Middle School in Worcester.

Mr. Masaschi had been ordered to pay restitution of \$85,484 to 21 former employees who had worked at the Worcester job site. At a May 28th court appearance, Masaschi was found to be in violation of his probation for failure to pay restitution. He was sentenced at that time to 28 months in the House of Correction and ordered to pay \$2,000 in court costs, in addition to the restitution owed. The incarceration was stayed until June 11, 1993, and would have been stayed further upon each designated installment of restitution.

Masaschi has failed to meet that payment schedule and faces possible imposition of his sentencing.

The case originated with the Department of Labor and Industries, Division of Wage Enforcement. The warrants had remained outstanding until Harshbarger's Fair Labor and Business Practices Division discovered the warrant.

DEPARTMENT OF EMPLOYMENT AND TRAINING

The Department of Employment and Training (DET) is now a subdivision of the Fair Labor and Business Practices Division of the Attorney General's office. DET is responsible for disposing of cases involving unemployment fraud and theft from the DET office.

The following are recent cases referred to the Attorney General's office by the Department of Employment and Training.

DEPARTMENT OF EMPLOYMENT AND TRAINING CASES

FALL RIVER MAN SENTENCED ON CHARGES OF UNEMPLOYMENT COMPENSATION FRAUD OF OVER \$3,000

A Fall River man was sentenced on charges that he engaged in unemployment compensation fraud amounting to over \$3,000.

George Lawton, 45, of Fall River, had admitted to sufficient facts on September 23, 1993, to 11 counts each of forgery, receiving stolen property, uttering a forged instrument and conspiracy to commit larceny.

Judge Phillip Rivard-Raposa sentenced Lawton to two years in the House of Correction, suspended for one year, on the 33 counts of receiving stolen property, uttering a forged document and forgery. He was also sentenced to two years in the House of Correction, suspended for one year, on the remaining 11 counts of conspiracy, to run concurrently with his other sentence. Lawton was also ordered to pay \$600 in restitution.

Between April and May, 1989, the defendant participated in a scheme in which eleven Department of Employment and

Training (DET) checks, totalling over \$3,000 and payable to several claimants, were misappropriated. A codefendant, Richard Durand, also admitted to sufficient facts and was sentenced in September, 1993, to six months in the House of Correction, suspended for two years and ordered to pay restitution in the amount of \$600. The dispositions are part of an ongoing investigation by DET and the AG's office.

CHERRY VALLEY MAN PLEADS GUILTY TO NONPAYMENT OF \$80,000 IN EMPLOYER TAX CONTRIBUTIONS

The Division of Employment and Training announced that a Cherry Valley man pled guilty to failing to pay employer tax contributions for seven years.

Donald G. Joseph, 61, of Cherry Valley, pled guilty in Boston Municipal Court to nonpayment of employer tax contributions in the amount of \$80,000. Judge Sally A. Kelly sentenced Joseph to four years probation, with full restitution to DET at the rate of \$500 per month.

While operating the Little Bo-Peep Day Care Center in Cherry Valley, Joseph knowingly failed to pay employer tax for the 28 quarters between July 1, 1986, and June 30, 1993.

BOSTON MAN PLEADS GUILTY TO THEFT OF OVER \$3,000 IN UNEMPLOYMENT CHECKS

A Boston man pled guilty in Boston Municipal Court for illegally collecting over \$3,000 in unemployment checks while he was employed.

Alfred R. Wilmore, 41, of Boston, pled guilty to 18 counts of larceny over \$250 for the theft of \$3,013 in unemployment checks. Judge Sally A. Kelly sentenced Wilmore to six months probation and full restitution. The defendant has already made partial restitution.

Wilmore received 18 unemployment checks while he was employed at the Daka School Food Service in Boston. He collected the unemployment funds from September 9, 1989, through February 3, 1990.

AGENDA: FRAUD NEWSLETTER

We hope you enjoyed the latest issue of Attorney General Scott Harshbarger's FRAUD NEWSLETTER. If you know someone we have overlooked on our mailing list, please add the name at the bottom of this form. In the event that you have moved, please fill in the updated information and mail this form back to Ms. Erin O'Sullivan, Publications Coordinator, One Ashburton Place, 20th Floor, Boston, MA 02108.

If you have any comments or suggestions, please feel free to include them on this form, and return it to the Attorney General's office. Thank you for your cooperation and suggestions.

ADDITIONAL MAILING LIST:

Name _____
Street Address _____
City _____ State _____ Zip code _____

ADDRESS AS IT CURRENTLY APPEARS:

Name _____
Street Address _____
City _____ State _____ Zip code _____

ADDRESS AS IT SHOULD APPEAR:

Name _____
Street Address _____
City _____ State _____ Zip code _____

(PLEASE PRINT)

(please do not cut this sheet)

Office of the Attorney General
One Ashburton Place
20th Floor
Boston, MA 02108-1698

AGENDA:

GOVERNMENT DOCUMENTS
COLLECTION

OCT 19 1994

FRAUD

A Newsletter from the Massachusetts Attorney General Scott Harshbarger

OVER 400 ATTEND AG/IFB FRAUD SEMINAR

On Wednesday June 1st, Attorney General Scott Harshbarger offered opening remarks on combatting insurance fraud at a seminar co-sponsored by the Attorney General's office and the Insurance Fraud Bureau of Massachusetts. The training session entitled "Insurance Fraud: A View from the Courts" was the third in a continuing series offered by the two agencies which have formed a unique public/private partnership to fight fraud in automobile, workers' compensation, home-owners and other types of insurance. Over four hundred insurance company investigators and adjusters, law enforcement personnel and government officials attended the day long session at the World Trade Center in Boston.

In addition to the Attorney General, four prosecutors from the AG's Economic Crimes Division in the Criminal Bureau made

presentations. Other speakers included Department of Industrial Accident Commissioner James Campbell, DIA Administrative Judge Daniel O'Shea, Defense Attorney Adam Kretowicz and District Court Judge Brian Merrick. IFB Executive Director Daniel Johnston and members of his staff also spoke.

In his remarks Harshbarger told the audience that insurance fraud, particularly workers' compensation fraud, is crippling small business and costing the state jobs. He said fraud is a thought-out, intentional crime that often is committed by "people in suits and ties in a very planned manner." Through criminal prosecution, the AG hopes to send a loud and clear warning to those who may be contemplating fraud...these are not victimless crimes, and those connected will be the one who ultimately pay a price.

Inside this Issue...

| | | | | |
|-----------------------|-----|------------------|----------------|----|
| White Papers Released | 3 | NAAG Health Care | IFB Newsletter | 9 |
| Workers' Comp Cases | 3-4 | Conference | Telemarketing | |
| Medicaid Cases | 6 | Fair Labor | Fraud Meeting | 10 |
| DET News | 7 | WCTF Update | Mailing List | 11 |

To the Citizens of Massachusetts:

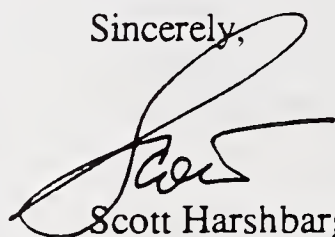
In July the Attorney General's Task Force to Reduce Waste, Fraud and Abuse in the Workers' Compensation System released a set of five "white papers" to the insurance and business communities. Topics include claims handling to detect fraud, the Americans with Disabilities Act, and workplace safety. These "white papers" are now available through the AG's office or any Task Force member. It is the cooperation of groups and individuals such as this that exemplify what can be done when we combine our resources for the public good. Another example of combining resources occurred in June when the AG's office and the US Attorney's office worked together on a joint prosecution of a major health care professional from Newton.

Conferences and meetings have been held in a continuing effort to prevent fraudulent practices around the Commonwealth in workers' compensation, medicaid, or telemarketing arenas. I had the honor to be involved with the NAAG/FTC Regional Meeting on Telemarketing Fraud to promote federal, state, and local law enforcement cooperation. In addition, I have been selected as key note speaker for a health care fraud conference to be held in Cambridge in August. I cannot stress enough the importance of conferences as an "information sharing process" and hope that meetings such as these continue in the future.

Inside the office, the Fair Labor and Business Practices Division has been overwhelmed with cases and been very successful in its efforts to crack down on unscrupulous employers. Several of these cases involving loss of wages are highlighted in the newsletter.

This issue of AGenda: Fraud also focuses on cases including fraud in the workers' compensation and medicaid fraud system, and violations of the state's prevailing wage and non-payment of wage laws. As always, we encourage your input, comments and suggestions.

Sincerely,



Scott Harshbarger

**DON'T FORGET TO FILL OUT THE
SIGN-UP SHEET ON PAGE 11 TO
REMAIN ON THE MAILING LIST!**

WORKERS' COMPENSATION TASK FORCE RELEASE "WHITE PAPERS"

In July the Attorney General's Task Force to Reduce Waste, Fraud and Abuse in the Workers' Compensation System released five "white papers" about issues relevant to workers' compensation. The paper most significant to the mission of the Task Force, entitled "Standards for Claims Handling to Detect Workers' Compensation Fraud," offers tips and guidelines for claims adjusters, insurers, employers and others to safeguard against fraud. The four remaining papers offer basic information about issues significant to workers' compensation including: "The Americans with Disabilities Act (ADA) and Workers' Compensation", "Workplace Safety: A Guide for Employers and Employees", "Temporary Modified Light Duty/Return to Work Programs", and "Utilization Review and Quality Assessment Program."

Formed in 1991 by Attorney General Harshbarger, the Task Force is comprised of prosecutors, members of the Insurance Fraud Bureau of Massachusetts, claimant attorneys, Legislators and other state officials, risk management firms, insurers, private employers, and representatives from unions and employer associations. Three years ago, the Task Force supported inclusion of stronger criminal penalties for workers' compensation fraud in the 1991 Workers' Compensation Reform Act and the group continues to advocate for other improvements in the system.

Copies of any "white paper" may be obtained from any Task Force member or by writing to: Office of the Attorney General, One Ashburton Place, Boston, MA, 02108, Attn: Gael DeCologero or by calling (617) 727-2200 x2950.

WORKERS' COMP CASES

FORMER BOSTON HOUSING AUTHORITY EMPLOYEE INDICTED ON WORKERS' COMPENSATION FRAUD

A former Boston Housing Authority (BHA) and Town of Braintree employee was indicted by a Norfolk County Grand Jury for allegedly committing workers' compensation fraud and larceny.

Kenneth R. Kingston, of Marshfield, was indicted on three counts of insurance fraud and one count of larceny over \$250 for allegedly defrauding the CIGNA Insurance Company out of workers' compensation benefits over a 17-month period.

Kingston, a BHA employee, claimed to be injured on the job while installing windows at the Franklin Field Housing Development in Dorchester. He obtained total disability benefits from the BHA's insurer, CIGNA Insurance Company, of Hartford, Connecticut.

Despite his allegation of total disability from employment with the BHA, Kingston worked full-time for the Town of Braintree as an independent consultant. He was appointed to the position of Deputy Assessor for the Town of Braintree on August 12, 1991, while allegedly still collecting total disability benefits from the BHA.

Investigators for the CIGNA Insurance Company discovered Kingston working while he was collecting total disability benefits and referred the matter to the Attorney General's Civil Investigation Division for further investigation. Kingston allegedly collected over \$32,000 in total disability benefits before being caught by CIGNA.

This action was a result of an investigation conducted by Investigator Shirley Lee of the Attorney General's Civil Investigation Division. The case is being prosecuted by Assistant Attorney General Michael C. Cullen of Harshbarger's Criminal Bureau.

WORKERS' COMP CASES *continued*

WESTPORT MAN PLEADS GUILTY TO ALLEGED WORKERS' COMPENSATION CHARGES INVOLVING NEARLY \$10,000

A Westport man who fraudulently received over \$10,000 in workers' compensation benefits from the Commonwealth of Massachusetts pled guilty to a three count indictment against him.

Steven N. Phipps, of Westport, pled guilty in Bristol Superior Court to one count of larceny over \$250, one count of making a false claim against the Commonwealth and one count of workers' compensation fraud.

He was sentenced to two-and-one-half years in the House of Correction, suspended for three years. He was also ordered to pay \$23,966 in restitution to the state. He paid \$15,000 of that at the time of sentencing.

Phipps injured his back in February, 1988, while working as a laborer for the Massachusetts Highway Department (then known as the Department of Public Works). He received total temporary disability benefits from that time until December, 1992. From early in 1991 through 1992, Phipps owned and operated a vending machine business. In 1991, Phipps' business grossed over \$30,000. During the period

he was operating the vending machine business, he continued to collect total temporary disability benefits for the injury he received while working for the Massachusetts Highway Department.

This case is the result of a joint investigation by the AG's office and the Investigative Division of the Public Employee Retirement Administration which is the state agency charged with administering workers' compensation benefits for state employees.

HOLBROOK RESIDENTS INDICTED ON WORKERS' COMPENSATION FRAUD CHARGES

A Norfolk County Grand Jury has returned indictments against two Holbrook residents who are alleged to have fraudulently received over \$20,000 in workers' compensation benefits from the CIGNA Insurance Company.

Rodger Lydixsen and Diane Chiavaroli from Holbrook were each indicted on one count of larceny over \$250 and one count of conspiracy. Lydixsen was also indicted on insurance fraud and workers' compensation fraud charges.

Lydixsen injured his back in October, 1990, while working as a painter. Based on the injury, he began receiving \$310 per week in workers'

compensation benefits. It is alleged that in the spring of 1991, Lydixsen started his own fencing and painting business, which he operated while continuing to collect total disability benefits. Lydixsen's benefits were not discontinued until September, 1992. Chiavaroli is charged with helping Lydixsen hide his business earnings from the insurance company.

HARSHBARGER AND U.S. ATTORNEY STERN ANNOUNCE HEALTH CARE FRAUD INDICTMENTS

In what marks the first major health care fraud joint prosecution, Attorney General Scott Harshbarger's Medicaid Fraud Control Unit (MFCU) and US Attorney Don Stern, announced that a Newton psychiatrist was indicted by state and federal Grand Juries on medicaid and medicare fraud, larceny and obstruction of justice. Both Harshbarger and Stern announced in June that indictments were returned against the Newton physician on filing false medicaid claims, filing false claims to the medicare program as well as larceny and obstructing justice by encouraging his patients to lie to federal and state investigators.

The indictments represent the first in what is expected to be a series of major health care fraud investigations and prosecutions between the Attorney General, US Attorney, FBI, the Office of Inspector General and Harshbarger's MFCU.

"These indictments represent a significant enforcement initiative between my office and the US Attorney, FBI, OIG and will serve as a serious warning to all health care providers that we will continue to maximize our professional resources to identify fraud in medicaid and medicare programs as well as private insurance plans," Harshbarger said.

According to MFCU investigators, the physician allegedly billed the medicaid program for services that were either never performed or charged as longer office visits than those that actually took place. MFCU investigators allege that from a period beginning May of 1989 through January, 1994, the physician was involved in a continuous scheme to defraud the medicaid program.

NEWSLETTER CONTRIBUTION

We hope this newsletter is both informative and useful. Its success depends upon your input. We must join together to combat fraud in our society. We hope to highlight several programs from around the state in the next issue. Contributions to the newsletter can be forwarded to the address below.

If you would like to reprint information from the Attorney General's fraud newsletter, please contact the editor at the address below:

Erin O'Sullivan
Publications Coordinator
Attorney General's office
20th Floor
One Ashburton Place
Boston, MA 02108.

MEDICAID FRAUD CASES

REVERE NURSING HOME OWNER PLEADS GUILTY TO MEDICAID FRAUD

A Revere Nursing Home owner pled guilty on June 7, 1994, to charges of medicaid fraud which involved the theft of expensive food items from the nursing home, according to Attorney General Scott Harshbarger's Medicaid Fraud Control Unit (MFCU). Annemark Nursing Home and its owner were indicted in Suffolk County and pled guilty to charges of medicaid fraud, including four counts of filing false reports, four counts of perjury and one count of larceny over \$250 from the Department of Public Welfare.

The defendant was sentenced to three years probation and ordered to pay \$20,000 in restitution for stolen food and a \$12,500 fine.

The MFCU investigation revealed that food was taken out of the nursing home's kitchen by members of the owner's family for their own use on a routine basis. The cost of the food was allegedly hidden in Annemark's annual cost report. Expensive food items such as steak, lobster and shrimp were allegedly stolen by the family and paid for on medicaid. About \$20,000 worth of food was allegedly taken.

MFCU FILES \$200,000 COURT DECREE AGAINST GENERIC DRUG MANUFACTURER

The Medicaid Fraud Control Unit filed a consent judgment with a New York manufacturer and distributor of pharmaceuticals totalling \$200,000 following a comprehensive investigation into the marketing practices of that company.

The Rugby Group, Inc., a New York Corporation with offices in Norcross, Georgia, agreed to pay \$150,000 in fines to the Commonwealth and another \$50,000 to sponsor a community service program which would benefit medicaid recipients.

The consent judgement filed May, 1994, in Boston concludes a ten month investigation into marketing practices in Massachusetts.

MFCU alleged that Rugby offered a variety of vacation packages to promote the purchase of its product by pharmacies throughout the state. Harshbarger alleged that the companies promotional practices violated the anti-kickback provisions of the state medicaid and healthcare laws. The period alleged includes January, 1990, through May, 1994.

FIVE INDIVIDUALS CHARGED IN UNRELATED MEDICAID FRAUD AND FALSE BILLING CASES

Five individuals were charged by Harshbarger's MFCU in separate

unrelated cases involving the alleged theft of nearly \$70,000 of medicaid funds as a result of false billings by those who provide health care to home-bound individuals.

A Suffolk County Grand Jury returned indictments against two individuals for filing false medicaid claims and larceny over \$250 while three others were charged in separate District Court complaints in Salem and Pittsfield.

According to MFCU investigators, each of these cases stems from alleged false billings made by the defendants to either DPW or DMR for personal care benefits to medicaid recipients. Both agencies administer personal care benefits to medical recipients. Personal care services allow a person with permanent or chronic disabilities to live independently in the community instead of being institutionalized.

Harshbarger said each of these defendants billed either DPW or DMR for services which were not provided and/or inflated billings made to the agencies.

The cases were the result of joint investigations by DPW, DMR, the Bureau of Special Investigations and the Disabled Persons Protection Commission.

HARSHBARGER TO KEY NOTE HEALTH CARE FRAUD CONFERENCE; AG STAFFERS TO CONDUCT FRAUD WORKSHOPS

Attorney General Scott Harshbarger, Chairman of the National Association of Attorneys General (NAAG) Health Care Task Force, will deliver the key-note address Wednesday, August 24, 1994, at a health care fraud conference in Cambridge sponsored by the Association of Certified Fraud Examiners August 22 - 26, 1994. Harshbarger's address will deal with fraud within the health care area as a focus of coordinating investigations between the Medicaid Fraud Control Unit and other divisions of the AG's Criminal Bureau and legislative proposals drafted by the MFCU that enhance state fraud prosecutions. Last year, Harshbarger received a national award from the Association in recognition of the efforts to combat white collar crime.

Also on the CFE agenda are Carmen Russo, President of the Greater Boston Chapter of CFE's, and Director of the Civil Investigation Division Chief, and Harshbarger's MFCU Director, Assistant Attorney General Michael Kogut. Russo will lead a workshop entitled "Combatting Workers' Compensation Fraud" while Kogut will discuss interviewing techniques of medical professionals as well as participate in a panel discussion entitled "The Impact of Government Regulation on Health Care Fraud".

Health fraud investigators and financial examiners from across the country are scheduled to attend.

DET NEWS...

LAWRENCE MAN ARRAIGNED ON CHARGES OF UNEMPLOYMENT FRAUD

A Lawrence man was arraigned in Lawrence District Court for the alleged theft of over \$2,000 in unemployment funds.

Wilson R. Soto, aka Radhame Wilson Soto, of Lawrence, was arraigned and pled not guilty before Judge Kevin M. Herlihy on 15 counts of unemployment fraud. Soto allegedly received nine unemployment checks totalling \$2,356 in January, March, April, May and October, 1993, by using false names and Social Security information.

Soto was arrested by investigators from the AG's Criminal Bureau while he was working at St. Elizabeth's Hospital in Brighton for the National Surface Cleaning Company.

Soto was released on \$5,000 personal recognizance. A pretrial conference was scheduled for June 13, 1994. Judge Michael T. Stella found Soto guilty of 15 counts of unemployment fraud and sentenced him to two years probation and full restitution in the amount of \$2,356 to the Department of Employment and Training.

Assistant Attorney General Joshua Krell, of Harshbarger's Division of Employment and Training, prosecuted the case. Investigator Tyrone Robinson, of Harshbarger's Criminal Bureau investigated the case.

FAIR LABOR & BUSINESS PRACTICES

DRYWALL COMPANY AGREES TO PAY \$26,000 IN BACK WAGES

The employer, a drywall and painting contractor, failed to pay the prevailing wage to ten employees on a public works job at Logan Airport, for a total of \$26,514. The president of the defendant company, Arnold Duclersaint, admitted to sufficient facts at the East Boston District Court and agreed to pay restitution.

After payment of \$10,000, Mr. Duclersaint claimed that the company was bankrupt and had no money with which to pay the balance. The Court revoked the original continuance without a finding, entered a guilty finding, and put the employer on probation review of every three months until February 7, 1996, to monitor its financial status.

PRESIDENT OF TELEPHONE INSTALLATION COMPANY AGREES TO PAY \$38,000 OWED WAGES TO SIX EMPLOYEES

The defendant was a president of a telephone systems installation and service company who had defaulted in 1992 from six non-payment of wage cases in two courts, Lynn District Court and Cambridge District Court. When the AG's office sent him an arrest notice letter, the defendant agreed to appear in court to pay wages owed to the six employees.

In both courts, he admitted to sufficient facts, and was found guilty. In Lynn Court he has already completed payment of \$6,265 owed for wages and the victim witness fee, and the case has been dismissed. In Cambridge Court he agreed to pay the total of \$32,442 owed on a payment schedule through the Probation Office. Probation ends on April 1, 1995. The AG's office is monitoring the payments with the Probation Officer.

AG REACHES AGREEMENT WITH CONTRACTING FIRM

The AG's office reached an agreement with a contracting firm to pay \$31,200 in wages to workers who removed asbestos from the former Steiger's department store at the Eastfield Mall where workers complained they hadn't been paid.

Charles Culp an inspector for the Fair Labor and Business Practices Division said ADM National Inc. of Medford has agreed to pay the 21 workers.

Culp said workers complained to the AG's office about lack of pay. After an investigation - which included the cooperation of the St. Louis-based May Department Store Co. which owns the location - Culp determined CJM (a subcontractor hired by ADM) was responsible. However, Culp said ADM paid the wages because it felt workers deserved pay.

(continued on page 9)

(continued from page 8)

A CONSTRUCTION COMPANY FAILS TO PAY PREVAILING WAGE RATE FOR OVER \$28,000

In 1990, Johns' Insulation Co., Inc. was hired to remove asbestos from Metropolitan Hospital in Waltham and Cushing Hospital in Framingham. During the course of the projects, the company failed to pay the prevailing wage rate. On April 28, 1994, the company admitted to sufficient facts and agreed to pay \$7,028 in restitution for the Framingham job and \$21,087 in Waltham.

Scientific Dimensions, a New York corporation, agreed to an out-of-court settlement with this office. The company acknowledged that wages were owed to a group of former employees. The wages amounted to \$61,998. Restitution, in that amount has been paid to the complainants.

On May 20, 1994, a trial was held in Gardner District Court concerning non-payment of the prevailing wage rate. The defendant, Urgent Construction Co., Inc., was engaged in public works, building a school for the regional school district. One employee came forward to lodge a complaint that the prevailing wage rate was not being paid. At the conclusion of the trial, Judge Thomas Hillman found the defendant guilty and ordered restitution of \$2,600. Upon conviction, the company is debarred from engaging in public works for six months.

WORKERS' COMPENSATION TASK FORCE UPDATE...

The AG's Workers' Compensation Task Force met on Wednesday, July 13th to review progress in their efforts against fraud.

Noting that prior to 1991--when Harshbarger took office--there was only one criminal prosecution for workers' compensation, Attorney General Harshbarger highlighted cases involving 32 individuals who have been prosecuted by his Criminal Bureau. The cases include 24 employees, four employers, four insurance "insiders" and one chiropractor. Thirteen of the defendants have been convicted and 19 cases are pending.

James Campbell, Commissioner of the Department of Industrial Accidents, and Daniel Johnston, Executive Director of the Insurance Fraud Bureau of Massachusetts, joined Harshbarger as featured speakers at the meeting. Harshbarger said that the successes to date in fighting workers' compensation fraud could not have been achieved without the cooperation of the DIA and the industry-sponsored IFB.

IFB NEWSLETTER AVAILABLE

The Insurance Fraud Bureau of Massachusetts (IFB) was created and funded by the insurance industry and authorized by state statute to investigate all lines of insurance fraud. As part of its mission to deter insurance fraud, the IFB is initiating a newsletter entitled "focusFraud" to highlight successes in the fight against insurance fraud. If you would like to be placed on the mailing list for this new publication, please contact Deborah Terry at the IFB at (617) 439-0439.

HARSHBARGER ADDRESSES TELEMARKETING FRAUD MEETING

Attorney General Harshbarger spoke at the NAAG/FTC Boston Regional Meeting on Telemarketing Fraud to promote federal, state and local law enforcement cooperation on Thursday, April 7th, 1994.

The Attorney General delivered opening remarks on the scope of telemarketing fraud; harm to consumers and charitable donors, especially senior citizens; and ongoing efforts and proposed legislation to curtail telemarketing fraud. The meeting touched on the following issues and concerns of the groups.

It is estimated that telemarketing fraud costs American consumers somewhere between ten billion and forty billion dollars every year. This is not to mention the untold dollars lost to unscrupulous telemarketers using charitable appeals.

According to consumer research magazine, 100,000 Americans are defrauded by telemarketing con men and women every week.

More often than not, telemarketing companies operate in one state and make calls across state lines to victims who are out of state residents, assuming that any complaints will only be handled on a local level.

In the past year, NAAG has been active in combatting telemarketing fraud through the telemarketing fraud task force. Currently, the task force includes the following subgroups:

- Litigation
- Legislation
- "Means and Instrumentalities"
- Federal/State Liaison

These subgroup have been active in devising strategies to eliminate telemarketing fraud and the meeting is a direct result of efforts by the federal state liaison subgroup.

On the legislative front, NAAG has urged congress to pass legislation that would, among other things, allow state attorneys general to prosecute civilly for violations of FTC rules, provided FTC has not already done so, and strengthen the authority of FTC regarding fraud committed in connection with sales made via telephone.

In Massachusetts, the AG's office has proposed legislation that would:

- require a 3-day right to cancel most telemarketing transactions; and
- make our charitable solicitation statute as tough as possible.

In addition to legislation and civil prosecution, criminal action must be taken against fraudulent telemarketers where the facts warrant it. No message could be stronger or clearer than criminally prosecuting participants in a fraudulent telemarketing operation.

Using the resources of federal, state and local governments, criminal prosecution can be an efficient and effective means of reducing telemarketing fraud, and its attendant harm.

Harshbarger asked that the group look closely at the means and instrumentalities of telemarketing fraud and think creatively about how to make telemarketing fraud more difficult to accomplish.

The AG's office has had the pleasure of working cooperatively with representatives from the F.B.I., FTC and Postal Inspector on telemarketing fraud and many of these efforts have proven effective.

Working together, sharing information, devising innovative investigative techniques and litigation strategies, real impacts can be made on the lives of those victimized by telemarketing fraud.

FILL OUT THIS SHEET TO REMAIN ON THE MAILING LIST!!!!!!!!!!!!!!

FRAUD NEWSLETTER SIGN-UP SHEET

We hope you enjoyed the latest issue of Attorney General Scott Harshbarger's FRAUD NEWSLETTER. However, due to budget cuts we are forced to review our current newsletter list. If you wish to remain on the list please fill out the sheet below and send it to Ms. Erin O'Sullivan, Publications Coordinator, One Ashburton Place, 20th Floor, Boston, MA 02108 or fax it to (617) 727-6016.

ADDRESS TO REMAIN ON MAILING LIST:

Name _____
Street Address _____
City _____ State _____ Zip code _____

ADDITIONS TO MAILING LIST:

Name _____
Street Address _____
City _____ State _____ Zip code _____

(PLEASE PRINT)

Office of the Attorney General
One Ashburton Place
20th Floor
Boston, MA 02108-1698

